**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the Matter of the Application of **Ohio Power Company** for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan.In the Matter of the Application of **Ohio Power Company** for Approval of Certain Accounting Authority. | ::::::::: | Case No. 13-2385-EL-SSOCase No. 13-2386-EL-AAM |

**PREFILED TESTIMONY**

**OF**

**THOMAS PEARCE**

**Energy & Environment Department**

**Public Utilities Commission of Ohio**

**Staff Exhibit \_\_\_\_\_**

**May 20, 2014**

1. Q. Please state your name and your business address.

 A. My name is Thomas Pearce, and my business address is 180 East Broad Street, Columbus OH 43215.

2. Q. By whom are you employed and what is your position?

 A. I am employed as a Senior Utility Specialist in the Energy Assurance Unit of the Energy and Environment Department. My responsibilities include critical infrastructure protection, cyber and physical security, and energy assurance issues.

3. Q. Please summarize your educational background and work experience.

 A. I received a B.S. in Petroleum Engineering from Marietta College and a J.D. from Capital University Law School. I have been employed on the Staff of the Public Utilities Commission of Ohio (“Commission”) since 1985. Having begun as a legal intern to the Director of the Utilities Depart­ment, I became employed full-time and have progressed and have been pro­moted through a series of positions at the Commission including in the Util­ities Department’s Telecommunications Division, the Energy & Water Division, the Forecasting Division, and the Gas, Water & Steam Division, as well as in the Energy & Environment Department’s Facilities, Siting and Environmental Analysis Division.

4. Q. Are there additional qualifications and work experience relevant to your work as a member of the Staff?

 A. I have participated in numerous, relevant trainings for my prior and current positions, including a 2-week Regulatory Basics course at the Institute for Public Utilities at Michigan State University, trainings offered through the National Regulatory Research Institute, as well as numerous trainings and conferences provided by the National Association of Regulatory Utility Commissioners (NARUC). Presently I serve as a faculty member at the Institute for Public Utilities at Michigan State University and have previ­ously served as a faculty member at the Wisconsin Public Utilities Institute at the University of Wisconsin. Presently, I serve NARUC as a contrib­uting member of: the NARUC Staff Subcommittee on Education and Research; the NARUC Staff Subcommittee on Gas; and the NARUC Staff Subcommittee on Critical Infrastructure (and as a founding member of its predecessor, the Ad-Hoc Staff Subcommittee on Critical Infrastructure). Previously, I served as Chair of the NARUC Staff Subcommittee on Gas, and I presently serve as Chair of the NARUC Staff Subcommittee on Crit­ical Infrastructure. Additionally, I have lectured here and abroad as a regu­latory expert with a number of international partners, and through the aus­pices of NARUC, the U.S. Energy Association, and the U.S. Agency for International Development (USAID). Through my Chairmanship of the NARUC Staff Subcommittee on Critical Infrastructure, I serve as NARUC’s representative on the U.S. government’s Energy Government Coordinating Council (Energy GCC) and regularly work and interact with critical infrastructure protection, physical security, and cybersecurity offi­cials at the U.S. Department of Energy (DOE) and its Idaho National Labs, the U.S. Department of Homeland Security (DHS) and its ICS-CERT team, the National Security Council, the Federal Bureau of Investigation (FBI), the Federal Energy Regulatory Commission (FERC), and the Ohio Depart­ment of Public Safety (including Ohio Homeland Security and the Ohio Emergency Management Agency), among others.

5. Q. Have you testified in prior proceedings before the Commission?

 A. Yes. I have provided Staff testimony in numerous proceedings over the years regarding matters pertaining to gas cost recovery, forecasting, and supply planning.

6. Q. What is the purpose of your testimony in this proceeding?

 A. My testimony in this proceeding is regarding AEP Ohio’s (“AEP” or “Company”) request for implementation of a NERC Compliance and Cybersecurity Rider (NCCR).

7. Q. What are Staff’s observations regarding this proposed (NCCR) rider?

 A. As it is currently constructed, AEP’s proposed rider is designed to recover anticipated costs from the Company’s compliance with NERC requirements and costs expected to be realized by the Company for additional cyber­security protection efforts and potential compliance with future standards, best practices, guidelines, and/or regulatory frameworks. Staff requested the Company to identify its annual costs to comply with existing NERC requirements on an annual basis for the past five years, as well as a projec­tion of such annual compliance costs over the next five years. The Com­pany noted that its cybersecurity initiatives and costs associated with the current gridSMART rider would remain in the gridSMART projects and not contained within this proposed NERC Compliance and Cybersecurity Rider. The Company noted that the costs contemplated to be part of the NERC Compliance and Cybersecurity Rider would be associated with activities for new requirements or new interpretations of existing require­ments; however, AEP was unable identify or project any such costs at this time.

8. Q. What are Staff’s recommendations regarding this proposed (NCCR) rider?

 A. At this time, given the lack of specifics or any quantifiable expenses antici­pated to be expended, Staff believes that approval of such a rider would be tantamount to providing the Company with a blank check for expenditures in this area without a reasonable estimate or projection of such expendi­tures. Staff is concerned that absent identification of actual expenditures or a reasonable projection of anticipated expenditures associated with known and existing NERC compliance and cybersecurity measures, that imple­mentation of such a rider is premature.

9. Q. Does Staff have any additional comments regarding the realization of such NERC compliance and cybersecurity costs?

 A. NERC Critical Infrastructure Protection (CIP) standards compliance has been an iterative process. Presently, electric utilities are being evaluated for compliance with NERC CIP version 3. FERC had previously approved implementation of NERC CIP version 4, but had yet to require full imple­mentation for regulatory compliance. NERC CIP version 5 since has been introduced and FERC has ordered that version 5 be implemented, essen­tially overriding implementation of version 4. As a result and with such rapid changes in versions of the NERC CIP standards, utilities are refining and improving their security postures relative to yet a newer version of CIP standards. When the Company experiences actual, measureable costs asso­ciated with NERC compliance and is better able to quantify its requisite investments in prudent cybersecurity measures, the Staff will be better able to assess the appropriateness and adequacy of such expenditures. However, until such time as the Company is better able to quantify and justify these expenditures, implementation of such a proposed rider is considered prema­ture. Therefore, it is Staff’s opinion that this proposed rider not be imple­mented at this time.

10. Q. Does this conclude your testimony?

 A. Yes, it does. However, I reserve the right to submit supplemental testi­mony as described herein, as new information subsequently becomes avail­able or in response to positions taken by other parties.

# PROOF OF SERVICE

 I hereby certify that a true copy of the foregoing Prefiled Testimony of **Thomas Pearce** submitted on behalf of the Staff of the Public Utilities Commission of Ohio,was served by regu­lar U.S. mail, postage prepaid, hand-delivered, and/or delivered via elec­tronic mail, upon the follow­ing par­ties of record, this 20th day of May, 2014.

/s/ Devin D. Parram

**Devin D. Parram**

Assistant Attorney General

**Parties of Record:**

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